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RUEHMR/AMEMBASSY MASERU 2792  
RUEHMB/AMEMBASSY MBABANE 4491  
RUEHWD/AMEMBASSY WINDHOEK 4965  
RUEHGV/USMISSION GENEVA 1276  
RUEHBS/USEU BRUSSELS  
RUCPDC/DEPT OF COMMERCE WASHDC  
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C O N F I D E N T I A L SECTION 01 OF 02 PRETORIA 000022

SIPDIS

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E.O. 12958: DECL: 01/10/2019

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SUBJECT: SOUTHERN AFRICAN COUNTRIES EXPECTED TO SIGN  
ECONOMIC PARTNERSHIP AGREEMENT WITH THE EU

REF: 08 PRETORIA 00328

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Classified By: Economic Counselor Perry Ball for reasons 1.4 (b) and (d)  
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¶1. (SBU) Summary: Several members of the Southern African Development Community (SADC) (Botswana, Lesotho, Namibia, Swaziland, Mozambique and Angola) are expected to sign the interim EU-SADC Economic Partnership Agreement when the EU Trade Commissioner visits Southern Africa in February. Tariffs in the interim EPA are similar to those under an existing EU-South Africa agreement. The EPA replaces the expired Cotonou Agreement and allows for these countries to retain preferential access to the EU market, attract investment, and diversify their services markets. South Africa has objected to the EPA since the negotiations began, and is unlikely to sign it in February. End Summary.

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EPA to be signed in February...  
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¶2. (C) Botswana, Lesotho, Namibia, Swaziland (collectively known as the BLNS countries), Mozambique and Angola are expected to sign the interim EU- Southern African Development Community's Economic Partnership Agreement (EPA) when the EU Trade Commissioner visits Southern Africa in February, according to EU Economic and Trade Counselor Jorge Peydro-Aznar, who met with Deputy Economic Counselor and Trade and Investment Officer on January 7 to discuss the interim EPA. Peydro-Aznar does not know whether South Africa will sign the agreement in February.

¶3. (C) Peydro-Aznar said the tariffs in the interim EPA will closely track those in the EU-South Africa Trade and Development Cooperation Agreement (TDCA), though there will be some differences on sensitive items. The interim EPA will also have minimalist sections on investment and services, committing the parties to pursue liberalization in talks for a final EPA. (Namibia will not be a party to the investment and services chapter.) There will also be a development chapter covering cooperation in business-enhancing infrastructure and institutional capacity building.

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14. (C) The EPA will fill a void formerly occupied by the Cotonou Agreement, which expired on December 31, 2007, leaving the African Cotonou partners with the choice of either trading with the EU under GSP, or negotiating a free trade agreement with Brussels. Peydro-Aznar said that the BLNS countries, Mozambique and Angola have always been eager to pursue an EPA lest they revert to GSP tariffs. These countries also want attract investment and diversify their services providers, which are now often South African.

15. (C) South Africa refused to initial the interim EPA, objecting to the inclusion of "new generation" issues (such as services) and MFN rules that could complicate Pretoria's trade diplomacy with "Southern" countries such as Brazil. According to Peydro-Aznar, the EU has made several concessions to win Pretoria's support for the EPA. Brussels proposed that South Africa opt-out of the investment and services chapters, and it worked with the Africans to ensure Qservices chapters, and it worked with the Africans to ensure that the EPA tariffs closely track the existing TDCA tariffs. Nevertheless, Peydro-Aznar was skeptical that Pretoria would sign.

16. (C) He said that Pretoria has little to gain from an EU EPA, since it already has very favorable access to the EU market under the TDCA. He also speculated that Pretoria was miffed that the EPA negotiations were a joint initiative of the EU and its Cotonou partners, with South Africa joining the talks at a later date. "Pretoria has never felt like it owned these negotiations," he said, adding that he "knows for a fact" that South Africa has been pressuring the BLNS countries (members with South Africa in the Southern African

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Customs Union or SACU) not to deal with the EU. At this point, South Africa may have "painted itself into a corner" and feels that it cannot retreat on the EPA, Peydro-Aznar said.

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Comment  
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17. (C) Local media have carried loose talk to the effect that Pretoria's failure to sign the EPA would spell the end of SACU, as South Africa and the BLNS countries would not have a common tariff with the EU. Peydro-Aznar claimed that there is no legal reason why an EPA without South Africa would force SACU to dissolve; he attributed these reports to a pressure campaign by South African negotiators. Post will explore this issue further in the run up to next month's signing.  
BOST